

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED JUNE 30, 2006

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**BALANCE SHEETS**  
June 30, 2006 and 2005

	<u>6/30/06</u>	<u>6/30/05</u>
		Exhibit A
<b>Assets</b>		
Cash and cash equivalents	\$ 10,643,371	\$ 8,288,964
Accrued interest		
Investments	1,911,163	1,304,648
Treasurer	334,893	30,697
Total accrued interest	<u>2,246,056</u>	<u>1,335,345</u>
Receivables		
Land sales	68,617	76,308
Fines and penalties	587,744	376,233
Purchased interest	331,313	148,459
Total receivables	<u>987,674</u>	<u>601,000</u>
Investments		
U.S. Government securities	<u>249,385,584</u>	<u>180,312,768</u>
<b>Total Assets</b>	<u><u>\$ 263,262,685</u></u>	<u><u>\$ 190,538,077</u></u>
<b>Liabilities</b>		
Due to (from) the Distributive School Account	\$ (884,540)	\$ 2,626,826
Due to heirs	<u>616,266</u>	<u>1,016,740</u>
Total liabilities	<u>(268,274)</u>	<u>3,643,566</u>
<b>Fund balances</b>		
Reserved: Permanent Fund Principal	<u>263,530,959</u>	<u>186,894,511</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 263,262,685</u></u>	<u><u>\$ 190,538,077</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

For the Quarter and Year ended June 30, 2006

	<u>Quarter Ended 6/30/2006</u>	<u>Exhibit B Year Ended 6/30/2006</u>
<b>Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 1,576,889	\$ 4,644,947
District Courts	153,396	763,083
Other Fines and Penalties	<u>-</u>	<u>9,000</u>
Total fines	1,730,285	5,417,030
Investment income (loss)	1,663,747	3,977,380
Land sales	37,664,162	71,230,804
Escheated estates	4,997	(12,931)
Miscellaneous	<u>133</u>	<u>1,545</u>
Total revenues	<u>41,063,324</u>	<u>80,613,828</u>
 <b>Other Financing Sources (Uses)</b>		
Transfer (to) from Distributive School Account	<u>(1,663,747)</u>	<u>(3,977,380)</u>
 Net change in fund balances	39,399,577	76,636,448
Fund balances, beginning of period	<u>224,131,382</u>	<u>186,894,511</u>
 Fund balances, June 30, 2006	<u>\$ 263,530,959</u>	<u>\$ 263,530,959</u>

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**GENERAL**

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. Bond guarantees at June 30, 2006 were:

<u>School District</u>		<u>Original Amount</u>		<u>Balance</u>
Carson City	\$	22,603,000.00	\$	20,548,000.00
Churchill		14,625,000.00		9,960,000.00
Douglas		14,460,000.00		12,340,000.00
Eureka		6,000,000.00		5,532,000.00
Humboldt		5,075,000.00		3,215,000.00
Lincoln		4,075,000.00		3,885,000.00
Lyon		23,330,000.00		21,300,000.00
Mineral		4,425,000.00		4,200,000.00
Nye		23,735,000.00		17,600,000.00
Pershing		5,135,000.00		3,385,000.00
Storey		4,300,000.00		4,300,000.00
Washoe		11,820,000.00		6,390,000.00
White Pine		7,510,000.00		6,245,000.00

## REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

### Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

### Treasurer's Interest Accrual:

For the quarter ended June 30, 2006, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$32,575,007. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average daily cash balances.

For the quarter ended June 30, 2006, funds held by the State Treasurer earned interest at an effective rate of 4.12 percent.

### Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENTS**  
June 30, 2006

Schedule 1

<b>Fixed Income Securities</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Cost</b>	<b>Fair Value</b>
Fed. Farm Credit Bank	6.000	06/11/08	\$ 10,000,000	\$ 10,042,460	\$ 10,103,100
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	9,893,800
Fed. Farm Credit Bank	3.375	06/12/08	10,000,000	10,000,000	9,618,800
Fed. Farm Credit Bank	2.150	04/05/07	8,000,000	7,709,360	7,800,000
Fed. Farm Credit Bank	3.500	07/02/07	6,000,000	5,997,000	5,883,780
Fed. Farm Credit Bank	3.300	11/05/08	7,300,000	7,221,160	6,927,695
Fed. Farm Credit Bank	4.180	12/22/09	10,000,000	9,956,000	9,600,000
Fed. Farm Credit Bank	3.300	11/05/08	10,000,000	9,824,180	9,566,817
Fed. Farm Credit Bank	3.850	02/11/09	7,675,000	7,669,320	7,384,808
Fed. Farm Credit Bank	4.200	08/28/07	15,000,000	14,968,350	14,779,650
Fed. Farm Credit Bank	4.875	02/18/11	7,000,000	6,986,210	6,827,170
Fed. Farm Credit Bank	3.375	07/15/08	10,000,000	9,589,900	9,603,100
Fed. Farm Credit Bank	5.250	06/19/09	10,000,000	9,921,800	9,950,000
Fed. Home Loan Bank Note	4.000	07/23/10	13,000,000	12,864,922	12,305,280
Fed. Home Loan Bank Note	2.625	02/16/07	6,100,000	6,117,690	5,991,359
Fed. Home Loan Bank Note	4.125	12/23/08	10,000,000	9,980,100	9,700,000
Fed. Home Loan Bank Note	3.845	02/22/08	6,525,000	6,499,422	6,357,830
Fed. Home Loan Bank Note	4.000	02/12/10	7,000,000	6,979,910	6,660,920
Fed. Home Loan Bank Note	3.660	09/30/10	5,500,000	5,386,755	5,120,170
Fed. Home Loan Bank Note	4.350	09/28/07	8,975,000	8,945,551	8,851,594
Fed. Home Loan Bank Note	4.250	07/07/08	13,000,000	12,876,094	12,699,440
Fed. Home Loan Bank Note	4.800	05/02/08	4,000,000	3,989,572	3,952,520
Fed. Home Loan Bank Note	5.500	05/28/10	10,000,000	10,000,000	9,934,400
Fed. Home Loan Bank Note	5.250	06/11/10	10,000,000	9,884,900	9,921,900
Fed. Home Loan Bank Note	4.550	06/22/10	10,000,000	9,638,900	9,675,000
Fed. Home Loan Bank Note	5.250	06/12/09	11,000,000	10,905,180	10,945,000
Fed National Mortgage Assoc.	5.750	02/15/08	10,675,000	9,760,953	10,715,031
Fed National Mortgage Assoc.	3.250	05/14/08	5,000,000	4,999,219	4,796,900
US Treasury Notes	2.625	05/15/08	4,000,000	4,035,625	3,819,520
Total Investments			<u>\$ 255,750,000</u>	<u>\$ 252,750,533</u>	<u>\$ 249,385,584</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**  
For the Quarter and Year ended June 30, 2006

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 6/30/2006</b>	<b>Year Ended 6/30/2006</b>
Carson City	\$ 3,282	\$ 13,427
Churchill	15,711	67,543
Clark	835,009	2,318,693
Douglas	10,655	41,432
Elko	40,086	143,408
Esmeralda	20,849	48,186
Eureka	1,496	11,861
Humboldt	-	-
Lander	1,011	8,215
Lincoln	1,855	10,833
Lyon	31,464	91,800
Mineral	100	150
Nye	69,137	263,004
Pershing	250	1,945
Storey	-	-
Washoe	542,682	1,609,977
White Pine	3,302	14,473
<b>Total</b>	<b>\$ 1,576,889</b>	<b>\$ 4,644,947</b>

**STATE OF NEVADA**

**PERMANENT SCHOOL FUND**

**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**

For the Quarter and Year ended June 30, 2006

<b>County</b>	<u>Schedule 3</u>	
	<b>Quarter Ended 6/30/2006</b>	<b>Year Ended 6/30/2006</b>
Carson City	\$ 921	\$ 8,437
Churchill	1,318	11,772
Clark	90,077	479,152
Douglas	9,850	28,310
Elko	17,397	50,815
Esmeralda	-	4,060
Eureka	10	510
Humboldt	1,005	5,875
Lander	5,160	8,802
Lincoln	820	4,407
Lyon	2,376	6,985
Mineral	110	3,095
Nye	1,760	11,716
Pershing	380	1,135
Storey	-	-
Washoe	21,586	132,749
White Pine	626	5,263
Total	<u>\$ 153,396</u>	<u>\$ 763,083</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended June 30, 2006

Schedule 4

**Interest:**

<u>Investments:</u>	<u>Rate of Interest</u>		<u>Face Amount</u>	<u>Investment Income</u>
Fed. Farm Credit Bank	6.000	%	\$ 10,000,000	\$ 150,000
Fed. Farm Credit Bank	2.700		10,000,000	67,500
Fed. Farm Credit Bank	3.375		10,000,000	84,375
Fed. Farm Credit Bank	1.840		5,000,000	3,833
Fed. Farm Credit Bank	2.150		8,000,000	43,000
Fed. Farm Credit Bank	3.500		6,000,000	52,500
Fed. Farm Credit Bank	3.300		7,300,000	60,225
Fed. Farm Credit Bank	4.180		10,000,000	104,500
Fed. Farm Credit Bank	3.300		10,000,000	82,500
Fed. Farm Credit Bank	3.850		7,675,000	73,872
Fed. Farm Credit Bank	4.200		15,000,000	157,500
Fed. Farm Credit Bank	4.875		7,000,000	85,313
Fed. Home Loan Bank Note	2.050		6,500,000	33,313
Fed. Home Loan Bank Note	4.000		13,000,000	130,000
Fed. Home Loan Bank Note	2.625		6,100,000	40,031
Fed. Home Loan Bank Note	4.125		10,000,000	103,125
Fed. Home Loan Bank Note	3.845		6,525,000	62,722
Fed. Home Loan Bank Note	4.000		7,000,000	70,000
Fed. Home Loan Bank Note	3.660		5,500,000	50,325
Fed. Home Loan Bank Note	4.350		8,975,000	97,603
Fed. Home Loan Bank Note	4.250		13,000,000	138,125
Fed. Home Loan Bank Note	4.800		4,000,000	29,333
Fed. Home Loan Bank Note	5.500		10,000,000	45,833
Fed National Mortgage Assoc.	5.750		10,675,000	153,453
Fed National Mortgage Assoc.	3.250		5,000,000	40,625
US Treasury Notes	2.000		4,000,000	10,000
US Treasury Notes	2.625		4,000,000	26,250
Total interest on investments				<u>1,995,856</u>
 Treasurer's interest distribution				 <u>334,893</u>
Total interest				 <u>2,330,749</u>
 Change in fair value of investments				 <u>(667,002)</u>
Total investment income earned for the quarter				 <u><u>1,663,747</u></u>